

# **CITIES AND TOWNS BULLETIN**

## **AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS**

March 2005

### **APRIL AND JUNE TRAINING SCHOOLS**

The Indiana League of Municipal Clerks and Treasurers' Annual Conference will be held April 18 through April 21, 2005 at the Indianapolis Marriott North at Keystone and River Crossing. The State Board of Accounts and Department of Local Government Finance will be conducting a one day accounting and budgeting workshop on the third day of the conference (Wednesday – April 20). This day of the conference will qualify as a State – called meeting day.

The State Board of Accounts Annual School for Clerk-Treasurers, City Controllers and City Clerks will be held June 15 and 16, 2005 at the Indianapolis Marriott East, 7202 East 21<sup>st</sup> Street, Indianapolis, Indiana.

Please mark these dates on your calendar. Explanatory letters with tentative agendas will be mailed to all fiscal officers concerning both meetings.

### **CRIMINAL HISTORY INFORMATION**

Local law enforcement agencies may, on request for release or inspection of a limited criminal history, do the following:

- (1) Require a form, provided by them, to be completed. The form shall be maintained for a period of two (2) years and shall be available to the record subject upon request.
- (2) Collect a three dollar (\$3) fee to defray the cost of processing a request for inspection.
- (3) Collect a seven dollar (\$7) fee to defray the cost of processing a request for release. However, law enforcement agencies may not charge a fee for requests received from the parent locator service of the child support bureau of the division of family and children.

Local law enforcement agencies shall edit information so that the only information released or inspected is information which has been requested and is limited criminal history information.  
(IC 10-13-3-30)

A local home rule ordinance would be required to enable a city or town law enforcement agency to collect such fees. All monies should be deposited in the municipality's general fund unless otherwise stated in the ordinance.

**CUMULATIVE CAPITAL IMPROVEMENT FUND – USES**

(Cigarette Tax Distributions)

IC 6-7-1-31.1 states as follows:

“(a) The fiscal body of each city and the fiscal body of each town shall, by ordinance or resolution, establish a cumulative capital improvement fund for the city or town. Except as otherwise provided in subsection (c), the city or town may only use money in its cumulative capital improvement fund to:

- (1) Purchase land, easements, or right-of-way;
- (2) purchase buildings;
- (3) construct or improve city owned property;
- (4) design, develop, purchase, lease, upgrade, maintain, or repair;
  - (A) computer hardware;
  - (B) computer software;
  - (C) wiring and computer networks; and
  - (D) communications access systems used to connect with computer networks or electronic gateways;
- (5) pay for the services of full-time or part-time computer maintenance employees;
- (6) conduct nonrecurring in-service technology training of unit employees;
- (7) undertake Internet application development; or
- (8) retire general obligation bonds issued by the city or town for one (1) of the purposes stated in subdivision (1), (2), (3), (4), (5) or (6).

(b) The money in the city’s or town’s cumulative capital improvement fund does not revert to its general fund.

(c) A city or town may at any time, by ordinance or resolution, transfer to:

- (1) its general fund; or
- (2) an authority established under IC 36-7-23;

Money derived under this chapter that has been deposited in the city’s or town’s cumulative capital improvement fund.”

The Attorney General in Official Opinion No. 32 of 1965 held the term “capital improvement,” as used and defined in the Cigarette Tax Act, does not contemplate the purchase of “major movable equipment” or any other personal property, and the use of such fund for such purposes would be contrary to the express restrictive authority of the act.

**CUMULATIVE CAPITAL IMPROVEMENT FUND – USES**  
(Cigarette Tax Distributions) – (Continued)

The Attorney General in Official Opinion No. 15, dated May 25, 1965, held a city or town existing at the time of the last preceding U.S. decennial census continues to share in the cigarette tax distribution on this basis and not on the basis of any subsequent U.S. Census Bureau special census.

Official Opinion No. 15 also states a city or town coming into existence after the last preceding U.S. decennial census is entitled to share in the cigarette tax distributions.

**INDEBTEDNESS**

**General Obligation Indebtedness**

A city or town can legally create interest-bearing indebtedness against the taxing power of such city or town under the following statutes:

- \* (1) Cities – Temporary Loans  
IC 36-1-4-9  
IC 36-4-6-20
- \* (2) Towns – Temporary Loans  
IC 36-1-4-9  
IC 36-5-2-12
- (3) Cities – Permanent Loans – In the Form of Bonds or Other Evidences of Indebtedness  
IC 36-1-4-9  
IC 36-4-6-19  
IC 5-1-11, IC 5-1-12, IC 5-1-14 and IC 5-1-15  
IC 6-1.1-20  
IC 36-9-41
- (4) Towns – Permanent Loans – In the Form of Bonds or Other Evidences of Indebtedness  
IC 36-1-4-9  
IC 36-5-2-11  
IC 5-1-11, IC 5-1-12, IC 5-1-13, IC 5-1-14 and IC 5-1-15  
IC 6-1.1-20, IC 36-9-41
- (5) Cities and Towns – Funding and Refunding Indebtedness  
IC 5-1-9-1

\*IC 36-1-8-4 also authorizes cities and towns to make temporary transfers to depleted funds.

State statutes give the common council or town council authority to make loans and issue notes in anticipation of revenues of such city or town to be levied and collected during the term of the loans which cannot be more than five (5) years. Such loans are to be authorized by ordinance.

General Obligation Indebtedness – (Continued)

Permanent loans evidenced by bonds or other forms of indebtedness are authorized to be issued after a petition signed by owners of taxable real estate in such city or town has been filed with the common council or town council. Other requirements include an ordinance that the common council or town council has determined to issue the obligations petitioned for, a published notice to taxpayers of filing of said petition, a period of time after publishing such notice in which remonstrances may be filed, publication of notice of public sale of bonds or other evidence of indebtedness, appropriation of proceeds of the bond issue and approval of such appropriation by the Department of Local Government Finance in the regular legal manner.

Approval by the Department of Local Government Finance is required of all issues of obligation indebtedness if the interest rate is in excess of eight percent (8%) per annum. [IC 6-1.1-20-7]

Loans in Anticipation of Future Revenues – Cities

IC 36-4-6-20 states, as follows:

“(a) The legislative body may, by ordinance, make loans of money for not more than five (5) years and issue notes for the purpose of refunding those loans. The loans may be made only for the purpose of procuring money to be used in the exercise of the powers of the city, and the total amount of outstanding loans under this subsection may not exceed five percent (5%) of the city’s total tax levy in the current year (excluding amounts levied to pay debt service and lease rentals). Loans under this subsection shall be made in the same manner as loans made under section 19 [IC 36-4-6-19] of this chapter, except that:

- (1) the ordinance authorizing the loans must pledge to their payment a sufficient amount of tax revenues over the ensuing five (5) years to provide for refunding the loans; and
- (2) the loans must be evidenced by notes of the city in terms designating the nature of the consideration, the time and place payable, and the revenues out of which they will be payable.

Notes issued under this subsection are not bonded indebtedness for purposes of IC 6-1.1-18.5.

(b) The legislative body may, by ordinance, make loans and issue notes for the purpose of refunding those loans in anticipation of revenues of the city that are anticipated to be levied and collected during the term of the loans. The term of a loan made under this subsection may not be more than five (5) years. Loans under this subsection shall be made in the same manner as loans made under section 19 of this chapter except that:

- (1) the ordinance authorizing the loans must appropriate and pledge to their payment a sufficient amount of the revenues in anticipation of which they are issued and out of which they are payable; and
- (2) the loans must be evidenced by time warrants of the city in terms designating the nature of the consideration, the time and place payable, and the revenues in anticipation of which they are issued and out of which they are payable.

(c) An action to contest the validity of a loan under this section must be brought within fifteen (15) days from the day on which the ordinance is adopted.”

Loans in Anticipation of Future Revenues – Towns

IC 36-5-2-12 states, as follows:

“(a) The legislative body may, by ordinance, make loans and issue notes for the purpose of refunding those loans in anticipation of revenues of the town that are anticipated to be levied and collected during the term of the loans. The term of a loan may not be more than five (5) years. Loans shall be made in the same manner as loans made under 11(b) and 11(c), [IC 36-5-2-11(b) and IC 36-5-2-11(c)] of this chapter, except that:

- (1) the ordinance authorizing the loans must appropriate and pledge to the payment of the loans a sufficient amount of the revenues in anticipation of which the loans are issued and out of which the loans are payable; and
- (2) the loans must be evidenced by time warrants of the towns in terms designating the nature of the consideration, the time and place payable, and the revenues in anticipation of which the loans are issued and out of which the loans are payable.

An action to contest the validity of a loan made under this section must be brought within fifteen (15) days from the day on which the ordinance is adopted.”

Time Warrants

IC 36-4-6-20(b)(2) and IC 36-5-2-12 require loans to be evidenced by a time warrant bearing a specified rate of interest from date of loan to maturity date. IC 6-1.1-20-7 has removed the maximum interest rate but requires if the rate of interest is greater than eight percent (8%), the approval of the Department of Local Government Finance must be secured.

A loan must be repaid from the fund to which the loan was receipted. The principal of a loan may be repaid without an appropriation, but an appropriation is required for payment of the interest on the temporary loan.

Suggested forms of “Notice of Receiving Bids for Temporary Loans” and “Tax Anticipation Time Warrant” which is similar to those now being used in some cities and towns follows. Please consult your city or town attorney for advice in this matter.

# NOTICE OF RECEIVING BIDS FOR LOANS

Notice is hereby given that the common council (or town council) of \_\_\_\_\_, in \_\_\_\_\_ County, Indiana, will receive sealed bids up to the hour of \_\_\_\_\_ (a.m. or p.m.) on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, at the office of \_\_\_\_\_ street, \_\_\_\_\_, Indiana, for the following:

The proposal to loan the said city (or town) of \_\_\_\_\_, Indiana, \_\_\_\_\_ Dollars for the \_\_\_\_\_ Fund in anticipation of the revenues of the city (or town), and for a term not to exceed \_\_\_\_\_ days/years.

Each bid shall stipulate the rate of interest to be charged. Each bid shall be accompanied by an affidavit that no collusion exists between the bidder and any other person relative to such bid.

Prior to maturity all or any amount of the principal may be prepaid with accrued interest to the date of prepayment.

All bids must be made in full compliance with the law governing such matters; and, the common council (or town council) reserves the right to reject any or all bids.

ATTEST:

Clerk: (City (or Town) of \_\_\_\_\_ BY: \_\_\_\_\_  
Mayor, City of \_\_\_\_\_  
(or President of Council, Town  
of \_\_\_\_\_)

Principal \$ \_\_\_\_\_  
 Interest At \_\_\_\_\_ % \$ \_\_\_\_\_  
 No. \_\_\_\_\_ Total \$ \_\_\_\_\_

CITY (OR TOWN) OF \_\_\_\_\_ TAX ANTICIPATION TIME WARRANT  
 \_\_\_\_\_ FUND

On the \_\_\_\_ day of \_\_\_\_\_, the City (or Town) of \_\_\_\_\_, in \_\_\_\_\_ County, Indiana promises to pay the bearer, at the office of the Treasurer of the City (or Town) of \_\_\_\_\_, the sum of \_\_\_\_\_ including interest on the principal amount of this warrant from the date hereof to maturity, payable out of and from taxes to be levied and collected in the year(s) \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and payable in the year(s) \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_. This warrant may be prepaid on and after \_\_\_\_\_, and prior to maturity at the principal amount hereof plus accrued interest to the date of prepayment.

This Tax Anticipation Time Warrant is one of a series of warrants aggregating a sum of \_\_\_\_\_, exclusive of interest added thereto to maturity, evidencing a temporary loan in anticipation of the taxes to be levied and collected for the \_\_\_\_\_ Fund of said City (or Town).

Said loan was authorized by an ordinance duly adopted by the Common Council (or Town Council) of the City (or Town) of \_\_\_\_\_, at a meeting thereof duly and legally convened and held on the \_\_\_\_\_ day of \_\_\_\_\_, for the purpose of providing funds for the \_\_\_\_\_ Fund of said City (or Town) of \_\_\_\_\_, in compliance with an act of the General Assembly of the State of Indiana, entitled "An Act Concerning Municipal Corporations," approved March 6, 1905, and all acts amendatory thereof and supplemental thereto, including particularly IC 36-4-6-20(b).

The consideration of said warrant is a loan made to the City (or Town) of \_\_\_\_\_ in anticipation of taxes to be levied and collected for the \_\_\_\_\_ Fund of said City (or Town) for the year(s) \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, payable in the year(s) \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and said taxes to be levied and collected are hereby specifically appropriated and pledged to the payment of said Tax Anticipation Time Warrant.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to the authorization, preparation, complete execution and delivery of said warrants have been done and performed as provided by law.

IN WITNESS WHEREOF, the City (or Town) of \_\_\_\_\_ has caused this warrant to be signed in its corporate name by its Mayor (or Town Council President) and attest by the Clerk of the City (or Town) of \_\_\_\_\_ and the corporate seal of said City (or Town) hereunto affixed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_.

ATTEST: CITY (OR TOWN) OF \_\_\_\_\_

Clerk: (City or Town) of \_\_\_\_\_ BY: \_\_\_\_\_  
 Mayor, City of \_\_\_\_\_  
 (or President of Council, Town  
 of \_\_\_\_\_)

**Funding and Refunding Indebtedness**

Any city or town whose indebtedness is evidenced by bonds, notes, judgments or other obligations issued, rendered, or negotiated by the city or town, may, for the purpose of funding or refunding the indebtedness, or any part thereof, reducing the rate of interest thereon, extending the time of payment and canceling so much thereof as may be or become due, by the vote of two-thirds (2/3) of members of the fiscal body of the city or town, issue its bonds, for an amount not exceeding in the aggregate the whole amount of the indebtedness of the city or town (IC 5-1-9-1).

**Temporary Transfers to Depleted Funds**

IC 36-1-8-4(a) states:

“The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount for a prescribed period, to a depleted fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the depleted fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.”

IC 36-1-8-4(b) states:

“If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the State Board of Accounts and Department of Local Government Finance.”

Funds advanced shall be derived from taxes on property, special taxes or any other revenue received from any operation of the municipal corporation.

Such temporary transfers should be effected by issuing a warrant and receipt for the amount of the transfer. The warrant should be endorsed and deposited in the depository account designated for the depleted fund. No appropriation is required either for the transfer or the repayment. Also, no interest should be charged on any such temporary transfer.



**Grant Anticipation Notes**

IC 5-19-1.5 authorizes municipalities to borrow funds for a period of not to exceed three years and may pledge for the payment of principal and interest therefore, the proceeds of a grant and any revenue which may be derived from the facility being constructed or improved by the proceeds of the note or notes.

The maximum amount of any loan shall not exceed eighty percent (80%) of the estimated amount of the grant in anticipation of which the loan is made.

Your city or town attorney should review the provisions of IC 5-19-1.5 for legal guidance of the municipality prior to utilizing this type of temporary loans.

**Loans from Municipally Owned Utilities (Water, Gas, and Electric Utilities)**

IC 8-1.5-3-12 states:

- “(a) A municipality may, by ordinance of its legislative body, borrow money from a utility owned by the municipality for current purposes in anticipation of taxes levied and to be collected during the current or following year.
- (b) The board may by resolution lend money to the municipality if the utility has on hand: (1) a surplus of cash exceeding by at least the amount loaned the sum of all amounts required to pay the indebtedness of the utility falling due during the current calendar year and the following year; (2) the amount necessary to meet current expenses during the year; and (3) the amount necessary to pay for improvements contemplated to be made during the current calendar year minus the estimated receipts during the calendar year.
- (c) A loan may not be made for the sum in excess of fifty percent (50%) of the amount estimated to be collected from anticipated taxes. The loan; (1) must be evidenced by an obligation of the municipality; (2) must be signed by the executive; (3) is due on or before thirty (30) days after the last day for the payment of anticipated taxes; and (4) may bear interest at any rate as determined by the board, payable at maturity.”

IC 8-1.5-3-11(f) states:

“A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the reserve fund.”

Note: A municipality could borrow money from or loan money to its wastewater utility under the provisions of the Home Rule statute contained in IC 36-1-3.

**FINANCING PUBLIC WORKS PROJECTS OF NOT MORE THAN TWO MILLION DOLLARS  
(\$2,000,000)**

IC 36-9-41 allows cities and towns to borrow the money necessary to finance a public work project under two million dollars (\$2,000,000) from a financial institution in Indiana by executing a negotiable note under IC 36-9-41-4. A city or town shall provide notice of its determination to issue the note under IC 5-3-1. Money borrowed is chargeable against the city or town's constitutional debt limitation.

A city or town borrowing money under IC 36-9-41-3 shall execute and deliver to the financial institution the negotiable note of the city or town for the sum borrowed. The note must bear interest, with both principal and interest payable in equal or approximately equal installments on January 1 and July 1 each year over a period not exceeding six (6) years.

The first installment of principal and interest on a note is due on the next January 1 or July 1 following the first tax collection for which it is possible for the city or town to levy a tax.

The city or town shall appropriate an amount for and levy a tax each year sufficient to pay the obligation under the note according to its terms.

An obligation of a city or town under the note is a valid and binding obligation of the city or town notwithstanding any tax limitation, debt limitation, bonding limitation, borrowing limitation, or other statute to the contrary.

IC 36-9-41-6 through IC 36-9-41-8 set out the provisions for taxpayers to file a petition against the issuance of such note.

**OMB CIRCULAR A-133 REQUIREMENTS**

The Single Audit Act and the Office of Management and Budget (OMB) Circular A-133 set out the responsibilities of entities receiving federal awards. The Single Audit Act was amended on July 5, 1996. Circular A-133 was revised on June 30, 1997 and replaced Circular A-128, as well as the previous Circular A-133. The Act was further revised on June 27, 2003 for fiscal years ending after December 31, 2003.

Circular A-133 has placed significant responsibilities on the recipient of federal awards. We suggest you study this summary carefully and disseminate the appropriate information to those individuals in your organization that will be impacted.

Governmental units who expend at least \$500,000 in federal awards in one calendar/fiscal year are subject to the provisions of OMB Circular A-133. The 1997 Circular A-133 may be obtained from the Federal Register, June 30, 1997 (Volume 62, Number 125, Pages 35277-35302). The revisions to the 1997 Circular A-133 may be obtained from the Federal Register, June 27, 2003 (Volume 68, Number 124, Pages 38401-38402). The Circular may also be obtained by writing the Office of Administration, Publications Office, Room 2200, New OMB homepage which is currently located at <http://www.whitehouse.gov.omb>, under the caption "Agency Information" and then "Grants Management." You should also obtain a copy of the current Compliance Supplement from EOP publications, Office of Administration, 2200 NEOB, Washington DC 20503; phone (317) 395-7332, or from the OMB homepage.

New Threshold

The new threshold for a single audit will be \$500,000 in federal expenditures, including grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. [Sec 200, 205]

Auditee Responsibilities

Responsibilities placed on the recipient of federal awards. The unit is required to do the following [Sec. 300];

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the unit is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards.
- (e) Follow up and take corrective action on audit findings, including preparation of a Summary Schedule of Prior Audit Findings and Corrective Action Plan.

Data Collection Form

A Data Collection Form will be submitted to the Federal Clearinghouse by the Board of Accounts with the Reporting Package. The Data Collection Form summarizes the results of the audit and will be used by the clearinghouse as a central database of information for all A-133 audits performed in the U.S. The auditee and the auditor are to complete and sign the appropriate sections of the Data Collection Form. [Sec 320(b)]

Summary Schedule of Prior Audit Findings and Corrective Action Plan

The governmental unit is responsible for follow-up and corrective action on all audit findings. This includes the unit preparing the following [Sec. 315]:

- (1) Summary Schedule of Prior Section III Audit Findings, if any were reported in the prior audit report, and
- (2) Corrective Action Plan for current year audit findings, if any were reported.

Note: Both of these schedules and the audit report will be included in the reporting package. As such, the Summary Schedule of prior Audit Findings must be completed by the unit and made available to the field examiner very early in the audit and the Corrective Action plan must be completed by the end of the audit or soon thereafter.

### Pass-Through Entity Responsibilities

Circular A133 places certain responsibilities on those entities that passes federal awards through to other governmental entities or not-for-profit corporations. The most significant of those responsibilities require you to [Sec. 400(d)]:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D , and name of Federal agency.
- (2) Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements, as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations and provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Issue a management decision on audit findings within six months after receipt of the subrecipients audit report and ensure that the subrecipient takes appropriate and timely corrective action.

### Subrecipient Monitoring

As stated above, if your governmental entity passes federal awards through to other governmental entities or not-for-profit corporations, you are responsible for monitoring the activities of the subrecipient to ensure that the program requirements are being met. The preamble to Circular A-133 recognizes that many pass-through entities will no longer be able to use the Single Audit reports as the primary tool to monitor subrecipients due to the \$500,000 threshold. They will need to review their overall subrecipient monitoring process, and decide what, if any, additional monitoring procedures such as on-site visits, reviews of documentation, supporting requests for reimbursement may be necessary to ensure subrecipient compliance. OMB expects pass-through entities to consider various risk factors in developing subrecipient monitoring procedures, such as the relative size and complexity of the Federal awards administered by subrecipients, prior experience with each subrecipient, and the cost-effectiveness of various monitoring procedures.

We recommend that the governmental unit have a formal subrecipient monitoring plan, preferably in written form, for all federal programs which pass federal monies through to subrecipients. The monitoring plan should identify the procedures the governmental unit has in place to monitor the activities of the subrecipient to ensure that the program requirements are being met. Such monitoring plans could include for instance, formal procedures to request subrecipients to provide written documentation supporting requests for reimbursements and the procedure the governmental unit use to review such documentation, the nature, timing, and extent of on-site visits, etc.

### Requests By Federal Agency

A federal agency is allowed to request that a particular program be audited as a major program [215(c)]. Such a request must be made to the auditee at least 180 days prior to the end of the fiscal year to be audited. If a federal agency has made such a request, please inform the State Board of Accounts field examiner at the beginning of the audit.

A federal agency is also allowed to request that certain federal programs not be considered low-risk, which would virtually guarantee that program being audited as a major program [520(c)(2)]. Such a request must also be made to the recipient of federal awards, and to the auditor, if known, within 180 days prior to the end of the fiscal year to be audited. This type of request must be approved by the Office of Management and Budget (OMB). If the OMB has approved such a request, please inform the State Board of Accounts field examiner at the beginning of the audit.